

Message Text

CONFIDENTIAL

PAGE 01 STATE 085814
ORIGIN TRSE-00

INFO OCT-01 EUR-12 EA-10 NEA-10 ISO-00 SIG-03 AID-05
CIAE-00 COME-00 EB-08 FRB-03 INR-10 NSAE-00
ICA-11 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01
NSC-05 SS-15 STR-07 CEA-01 L-03 H-01 PA-01 /119 R

DRAFTED BY TREAS/OASIA/IDN/RBLAKE
APPROVED BY EUR/SE:RCEWING
TREAS/OASIA/IDN/RPELIKAN
TREAS/I/CFBERGSTEN
TREAS/ES/PBRIDGES

-----094881 041015Z /15

R 040139Z APR 78
FM SECSTATE WASHDC
TO AMEMBASSY ANKARA
INFO AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY TEHRAN
AMEMBASSY JIDDA
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY LISBON
AMEMBASSY TOKYO

N

C O N F I D E N T I A L STATE 085814

E.O. 11652: GDS

TAGS:EFIN, TU

SUBJECT: MEETING BETWEEN TURKISH FINANCE MINISTER AND
TREASURY SECRETARY

1. SECRETARY BLUMENTHAL MET WITH FINANCE MINISTER
MUEZZINOGLU ON THURSDAY, MARCH 23. ALSO ATTENDING ON THE
TURKISH SIDE WERE VURAL GUCSAVAS, SECRETARY GENERAL OF THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 085814

TREASURY, AND AMBASSADOR ESENBEL. PARTICIPATING ON THE
U.S. SIDE WERE ASSISTANT SECRETARY BERGSTEN AND RICHARD
FISHER, SPECIAL ASSISTANT TO THE SECRETARY.

2. THE FINANCE MINISTER BEGAN BY SAYING THAT HE WOULD BE
SIGNING A LETTER OF INTENT WITH THE IMF THAT AFTERNOON. HE
THEN DESCRIBED THE ECONOMIC PROBLEMS CONFRONTING TURKEY AND

THE MEASURES THE GOVERNMENT HAD UNDERTAKEN TO DEAL WITH THEM. HE SAID THAT THE STANDBY PROGRAM WOULD BE FOR TWO YEARS AND WOULD INVOLVE SDR 300 MILLION (APPROXIMATELY 360 MILLION DOLS). IN ADDITION, TURKEY WOULD RECEIVE AN UNSPECIFIED AMOUNT UNDER THE COMPENSATORY FINANCE FACILITY, WITH THE WITTEVEEN FACILITY A LATER POSSIBILITY. ASSISTANT SECRETARY BERGSTEN NOTED THAT IT WOULD BE PERHAPS THREE MONTHS BEFORE THE WITTEVEEN FACILITY WOULD BE IN PLACE, WHICH SEEMED TO COME AS A SURPRISE TO THE MINISTER.

3. SECRETARY BLUMENTHAL THEN ASKED THE FINANCE MINISTER IF HE THOUGHT THESE MEASURES WERE SUFFICIENT TO TURN THE SITUATION AROUND. THE FINANCE MINISTER REPLIED THAT HE HOPED SO BUT THAT HE WOULD LIKE TO EXPLORE POSSIBILITIES FOR U.S. GOVERNMENT SUPPORT. HE THEN MENTIONED A "PORTUGAL TYPE" OPERATION FOR TURKEY. HE SAID HE KNEW THAT THE ADMINISTRATION WOULD NEED TO GO TO CONGRESS ON THIS AND THIS WOULD POSE PROBLEMS. NONETHELESS, HE ASKED IF AN EFFORT LIKE THIS COULD BE MOUNTED, WHEN "THE TIME IS RIPE". HE NOTED THAT TURKEY WOULD NEED ASSISTANCE NOT JUST THIS YEAR, BUT NEXT YEAR AS WELL. HE THEN MADE A VAGUE REQUEST FOR A TREASURY "GREEN LIGHT" TO PRIVATE BANKS TO ENCOURAGE THEM TO LEND TO TURKEY.

4. SECRETARY BLUMENTHAL RESPONDED THAT PRIVATE BANKS MAKE THEIR OWN DECISIONS ON THESE MATTERS. THE U.S. GOVERNMENT

CONFIDENTIAL

PAGE 03 STATE 085814

CANNOT ORDER THEN TO INVEST THEIR FUNDS IN ANY PARTICULAR WAY. BY THE SAME TOKEN, THE GOVERNMENT CANNOT PROHIBIT THEM FROM MAKING INVESTMENTS IN ANY PARTICULAR WAY. IF ASKED BY PRIVATE BANKS WE CAN GIVE OUR VIEWS OF THE SITUATION AND THE FACT THAT TURKEY HAS AGREED TO A STANDBY WITH THE FUND WOULD BE SEEN BY THE BANKS AS VERY SIGNIFICANT. ON THE QUESTION OF AID, THE SECRETARY SAID THAT CONGRESSIONAL ATTENTION WAS FOCUSED ON THE WITTEVEEN FACILITY AND THE IFI APPROPRIATIONS. GIVEN THE CONGRESSIONAL MOOD TOWARD AID IN GENERAL, HE DID NOT THINK THAT THE CHANCES FOR AN ESF CREDIT OR BILATERAL ASSISTANCE, BOTH OF WHICH WOULD REQUIRE CONGRESSIONAL ACQUIESCENCE, WERE VERY GOOD.

5. ASSISTANT SECRETARY BERGSTEN REVIEWED BRIEFLY THE MULTILATERAL EFFORT FOR PORTUGAL, CALLING IT "VERY UNUSUAL" AND NOTING THAT THE ESF CREDIT WAS TO COVER A VERY SHORT-TERM BALANCE OF PAYMENTS PROBLEM. SECRETARY BLUMENTHAL EMPHASIZED AGAIN THAT EITHER AN ESF CREDIT OR BILATERAL AID WOULD HAVE TO BE ACCEPTABLE TO CONGRESS AND THIS WOULD BE VERY DIFFICULT.

6. THE FINANCE MINISTER NOTED THAT THERE WERE IMPORTANT POLITICAL REASONS FOR MOUNTING A "PORTUGAL-TYPE" OPERATION IN TURKEY, TOO. HE THEN ASKED IF THE U.S. GOVERNMENT COULD MAKE AN ANNOUNCEMENT THAT THERE IS NO "ECONOMIC EMBARGO" AGAINST TURKEY. SECRETARY BLUMENTHAL ASSURED THE FINANCE MINISTER THAT THERE WAS NO SUCH EMBARGO BUT THOUGHT THAT A PUBLIC ANNOUNCEMENT TO THAT EFFECT FOR NO APPARENT REASON MIGHT CAUSE PEOPLE TO THINK THAT THERE WAS ONE. HE SAID THAT WE WOULD SEE WHETHER WE COULD FIND AN APPROPRIATE OPPORTUNITY TO MAKE SUCH AN ANNOUNCEMENT.

7. THE FINANCE MINISTER THEN ASKED FOR U.S. GOVERNMENT SUPPORT FOR TURKEY IN INTERNATIONAL INSTITUTIONS, ALTHOUGH HE MENTIONED NO SPECIFIC PROBLEMS. SECRETARY BLUMENTHAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 085814

SAID THAT WHILE WE WOULD NECESSARILY REVIEW IBRD LOANS TO TURKEY IN TERMS OF THEIR INHERENT SOUNDNESS AND COULD NOT THEREFORE GIVE TURKEY A "BLANK CHECK", WE WOULD BE AS HELPFUL AS POSSIBLE.

8. THE FINANCE MINISTER THEN RAISED THE SUBJECT OF THE OECD CONSORTIUM. SECRETARY BLUMENTHAL SAID THAT WE WOULD PARTICIPATE IN A MEETING BUT THAT IT WAS HIS IMPRESSION THAT THE CONSORTIUM WAS NOT VERY ACTIVE. THE FINANCE MINISTER SAID THAT THIS WAS TRUE BUT THAT THE TURKISH GOVERNMENT HOPED TO USE THE CONSORTIUM TO GET NEW PROJECT FINANCING AND RESCHEDULE THEIR OFFICIAL DEBTS. ASSISTANT SECRETARY BERGSTEN SAID THAT WE HAD REVIEWED CAREFULLY WITH OFFICIALS OF OTHER COUNTRIES HOW TO DEVELOP AN EFFECTIVE MULTILATERAL MECHANISM FOR TURKEY. IN OUR VIEW, THE PRECISE FORM OF THE MECHANISM WAS NOT SO IMPORTANT AS LONG AS THE MECHANISM WAS EFFECTIVE. THE FINANCE MINISTER SAID THAT THE TURKISH GOVERNMENT WAS NOT AGAINST INCLUDING A LARGER NUMBER OF COUNTRIES IN A MULTILATERAL MEETING BUT FEARED THAT THIS WOULD TAKE TOO MUCH TIME. BERGSTEN REPLIED THAT WE SHOULD BE ABLE TO WORK THIS OUT.

9. SECRETARY BLUMENTHAL SAID THAT HE THOUGHT THAT PRIVATE BANKS WOULD BE PLEASED TO HEAR OF THE STANDBY ARRANGEMENT AND THAT HE HOPED THEY WOULD BE SYMPATHETIC. THE FINANCE MINISTER SAID THAT HE THOUGHT HIS TALK TODAY WITH THE SECRETARY AND THE SECRETARY'S SUPPORT FOR THE TURKISH GOVERNMENT'S ECONOMIC PROGRAM WOULD BE HELPFUL IN THIS REGARD. VANCE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCE, MINISTERIAL MEETINGS, BRIEFING MATERIALS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE085814
Document Source: CORE
Document Unique ID: 00
Drafter: OASIA/IDN/RBLAKE
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780144-1146
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780494/aaaadcai.tel
Line Count: 165
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 171d7db6-c288-dd11-92da-001cc4696bcc
Office: ORIGIN TRSE
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3079586
Secure: OPEN
Status: NATIVE
Subject: MEETING BETWEEN TURKISH FINANCE MINISTER AND TREASURY SECRETARY
TAGS: EFIN, TU, US, IMF
To: ANKARA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/171d7db6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014